

# BE SMART ABOUT EDUCATION



## The Impact of College Debt Survey Results

By: We Are HOPE, Inc.  
Matousek & Associates, Inc.



## TABLE OF CONTENTS

Introduction .....	2
Department of Education Appropriation .....	3
Survey Results .....	6
Demographics .....	10
Other Symptoms of the Impact of Student Debt.....	11
The Impact of Public Policy .....	12
Next Steps.....	12
Conclusion.....	13
References .....	14

# Be Smart about Education

## THE IMPACT OF COLLEGE DEBT SURVEY RESULTS

### Introduction:

We all know both education and training are necessary to be successful in today's economy. Every industry depends on a highly trained staff, and the educational system plays an important role in developing the workforce to support business and industry.

Many studies have been conducted to identify the employment gaps and careers needed to be filled in the future. The Be Bold 2 "Growing Wisconsin's Talent Pool" was just released that has identified employment clusters and positions needed by industry sector. <http://www.competitivewi.com/2012/10/be-bold-2-growing-wisconsins-talent-pool-study-released/>

In addition, the Department of Workforce Development provides additional data and reports that measure unemployment, employment gaps, and job placement programs.

Many of these studies gathered information and responses from employers, educators, and community leaders. Colleges also conduct satisfaction surveys to measure student satisfaction with program content and employment that follows.

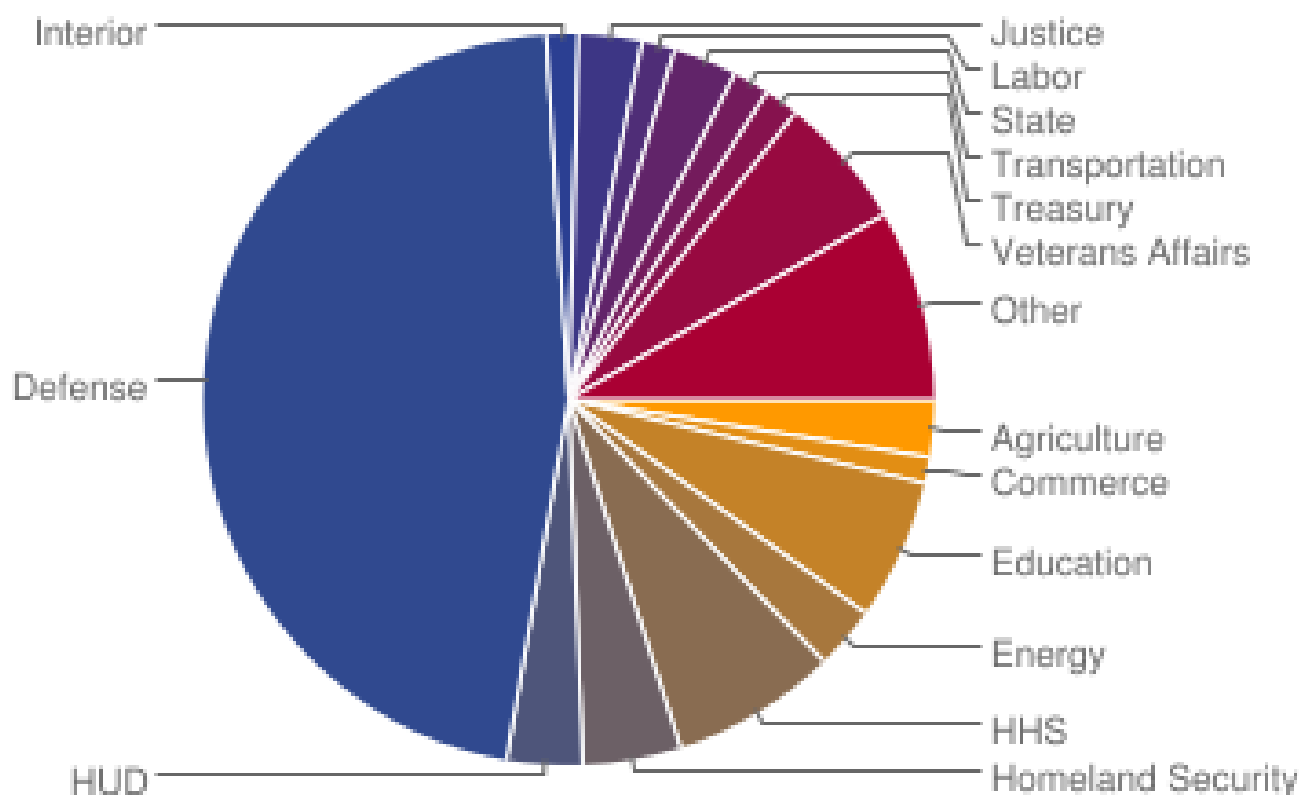
This report was developed to measure the impact of college debt on the lives of individuals and families and how it is impacting their decision making. The intent of this survey is to gather insight and feedback from the end user, the student/graduate who invested in the education, and how the educational investment has/is paying off for them.

## Department of Education Appropriation:

The Federal Budget appropriates funds to the Department of Education, which are dispersed to states to administer the educational systems in our country.

“Nearly all federal education programs are funded through the annual appropriations process, but a few, such as student loans, are funded on an ongoing basis through mandatory spending. The appropriations for the Department of Education totaled \$67.3 billion in fiscal year 2014, accounting for 6.0 percent of the \$1.1 trillion in total appropriations funding across all federal agencies that year.”

### FY 2014 Est. Spending by Agency



<http://febp.newamerica.net/background-analysis/education-federal-budget>

Source: [White House Office of Management and Budget](#)

Each state budget has its educational budget, which leverages funding from the Federal Government to support its educational systems. In the state of Wisconsin, there are three different public educational systems: the Department of Public Instruction, the Technical College System, and the University of Wisconsin System.

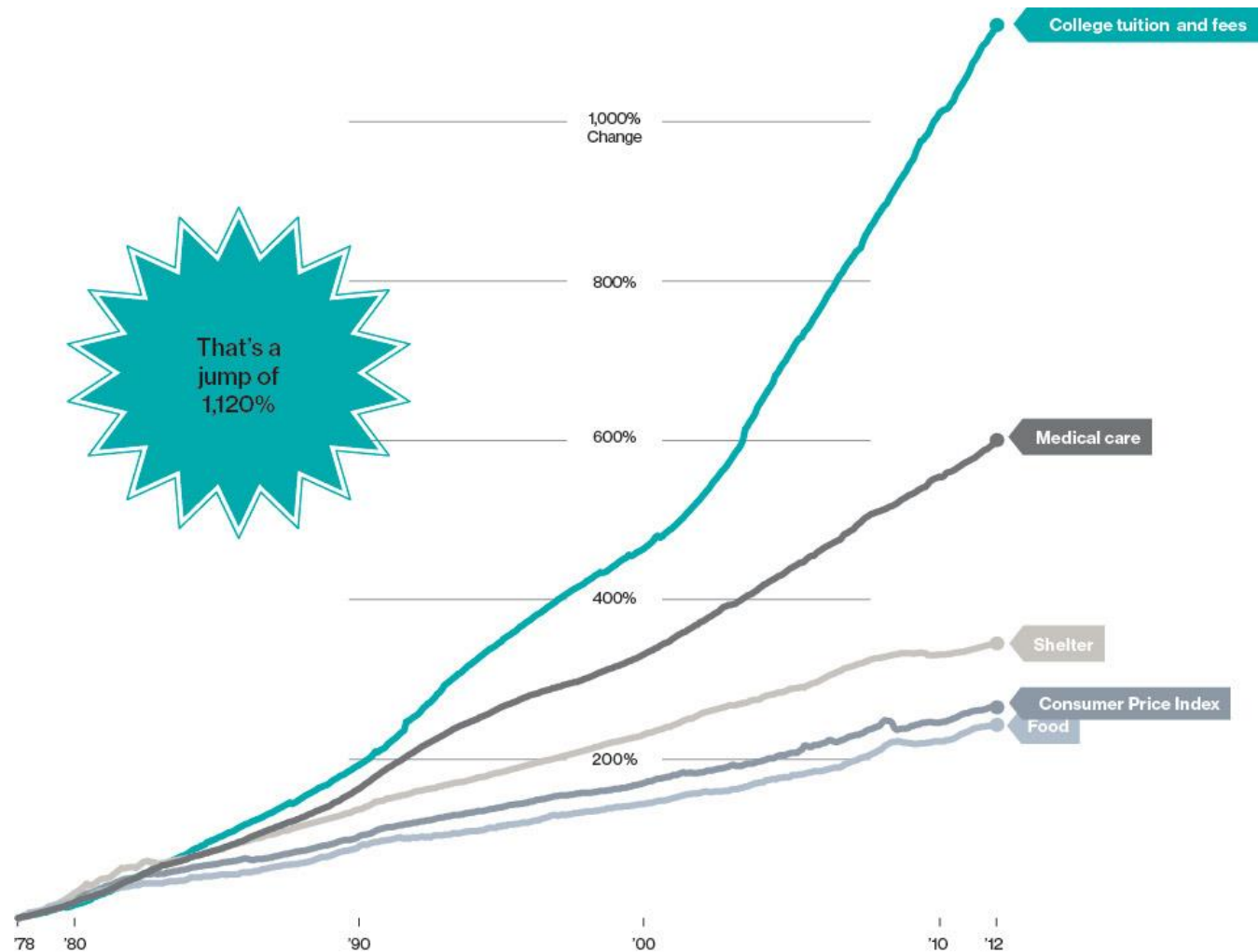
Many people recognize there is a problem with the educational system and some will say it is because of a lack of funding. Others will say we may be spending too much for education.

There is no doubt there has been some significant change in how we measure performance in the educational system and what skills are needed to support the new economy.

Education is complicated to understand and it has multiple systems. There is preschool through high school system, followed by the trade schools, to technical colleges and community colleges that provide certificates, one year technical diplomas, and two year associate degrees. There are also colleges and universities that provide bachelor, masters, and doctoral studies.

Other factors include the differences of public, private, and now for-profit institutions, as well as the funding sources to support these systems. The cost of tuition certainly is a factor in how we finance education, and the rising cost of tuition has been a growing concern for some time now.

Just as Americans had to take more responsibility and be smart about the health care crisis, we have to be smart about our educational choices. The following is a chart, which was created by Bloomberg BusinessWeek in 2012, portrays the rising cost of education compared to other industries.



Individuals cannot afford to make poor choices about education that do not lead to careers in demand. The cost of education is too high and we need to do a better job of defining success. Everyone knows they need an education to be successful, but we have not provided the information on how to select a program or college that will lead to self-sufficiency.

The “Be Smart about Education” and the College Debt survey were created to identify how college debt is impacting individuals and families and how it may be impacting the overall economy. Local communities, states, and the federal government have invested in education, and it is an important sector in the local, state and the nation’s economy.

However, the cost of tuition has increased over 1120% from 1978 to 2012 (Bloomberg Businessweek 2012). More and more people are attending college than ever before. Seventy percent (70%) of individuals who graduate from high school go on to attend college; that is up from 20% in the 1950’s.

No other industry has seen this growth, and yet there are still many concerns from stakeholders on funding for education.

“The cost of a college education is rapidly becoming one of the largest financial challenges that Americans will face in their lifetimes,” said Steve Trumble, President and CEO of American Consumer Credit Counseling. “Students want a better understanding of what return they will get on that investment. And many former students feel they might have made different choices if they knew how difficult it would be to manage their college debt” (PRWEB) October 22, 2014).

### Survey Results:

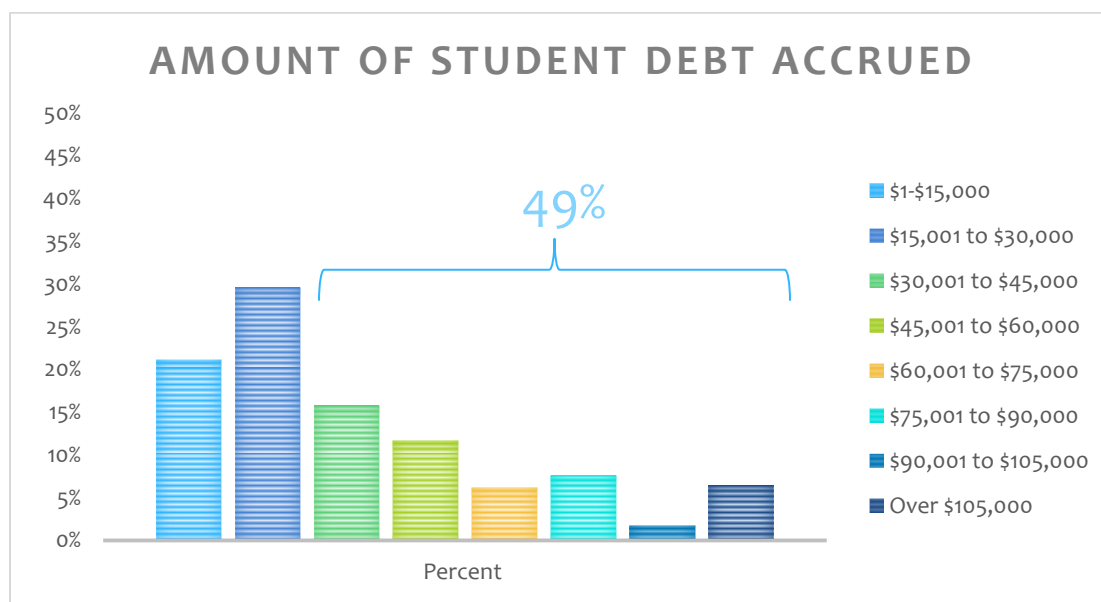
To gather additional information on how college debt is impacting the decisions of individuals and families, an online survey was created by We Are HOPE, Inc., a nonprofit organization who serves residents and businesses in Northeast Wisconsin. HOPE stands for Helping Others Prosper and Excel. The business focus of this organization is Employment and Energy Services. We Are HOPE, Inc. manages one of the Wisconsin Job Centers and provides programs in the Workforce Innovation and Opportunity Act to help individuals get back to work and fill employment gaps.

Matousek & Associates, Inc. is a partner in this study. Matousek & Associates has more than 30 years of experience in conducting market research for companies across the country. Together, the survey and this report were established to get a sense of how student debt is impacting individuals and the overall economy.

The survey was conducted from February 20, 2015 through March 20, 2015. As with many online surveys, this method was used to gather information from individuals who were willing to share their story about the impact of student debt. The survey was promoted through social media and other local media outlets. The results of these findings are written in this report. A total of 342 individuals responded to the survey. The majority of the responses came from the State of Wisconsin with responses from 19 other states.

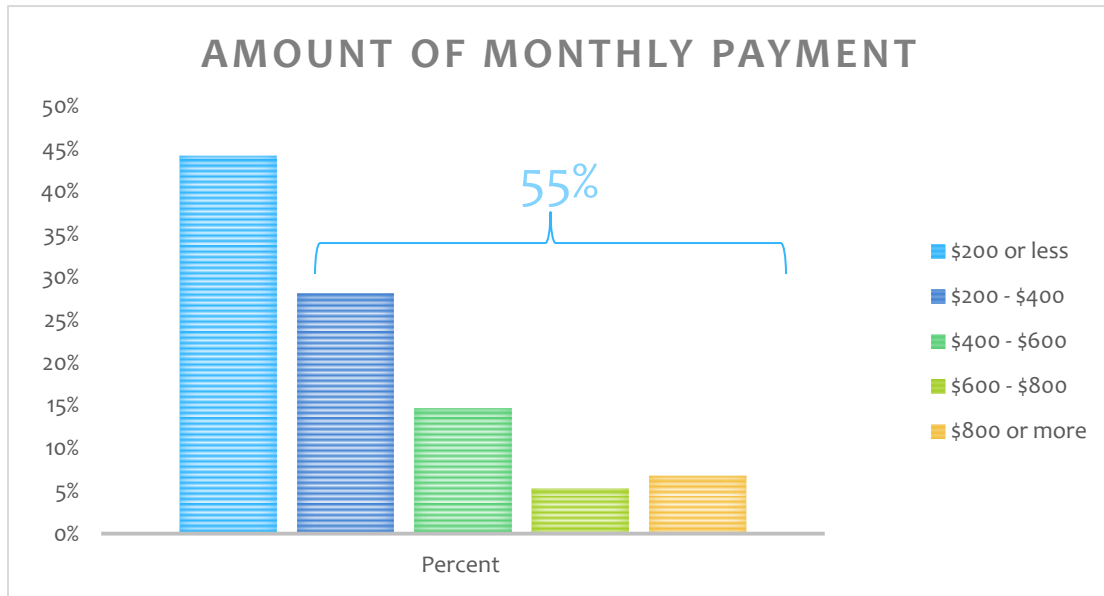
Ninety-four percent (94%) of the individuals who took the survey attended college themselves. Individuals could complete the survey for themselves, and/or child, and/or spouse. Twenty percent (20%) of the individuals responded for their children and 41% for their spouses.

When asked the question of whether they graduated from college, only 7% said they did not. Four percent (4%) graduated with a certificate, 4% with a technical diploma, 13% with a two year degree, 61% with a four year degree, 21% with a Master's degree, 6% with a Doctorate, and 5% said other. Nearly half (49%) of the individuals who responded had over \$30,000 in student loans.





Another question was asked of the approximate amount of their monthly student loans payment. Forty-four percent (44%) had loan payments of \$200 or less, while 55% of respondents had monthly payments that exceeded \$200. Twenty-eight percent (28%) had payments between \$200 - \$400, 15% had payments between \$400 - \$600 a month, 5% had payments between \$600 - \$800 a month, and 7% had payments of \$800 or more a month. A number of individuals indicated they have deferred their loans in the hope of landing a job in order to make the student loan payment.



Fifty-eight percent (58%) of the individuals who responded to the survey indicated they work in their field of study and 41% are not working in their field.

The question of how student debt has affected their families and futures is one of the most important responses to the survey, and it provides additional information on how student debt is impacting spending habits and the ability to invest in or save for the future.

- 20% of respondents indicated they cannot get a loan for other items, are unable to purchase a home, and it negatively impacts their credit.
- 18% of individuals indicated they are living paycheck to paycheck, “drowning” in debt, and have a large debt load.
- 13% indicated they have a lower quality of life and unable to afford the extra things.
- 12% indicated they are unable to save, unable to save for their retirement or their children’s education and feel less secure.

In order to have a better understanding on how student debt has affected families and futures, the following comments are provided to give you a sense of the burden student debt is having.

*“The American dream appears to be harder to achieve. We were told to get educated when we were young but right out of the box the debt overwhelms getting life started.”*

*"My husband and I came out of college with about \$50,000 each in debt. We are slowly trying to pay it off but it will probably take another 10-15 years. By that time our kids will almost be ready to go to college so the idea that we could help pay their college tuition is not very realistic. They will accumulate a ton of debt that takes decades to pay off and the cycle will continue with their kids. It's pretty discouraging and makes us afraid to look for different jobs that we would enjoy more because we need the money to pay our loans."*

*"Student debt has been the number one issue in our family, the leading factor in my wife and I having to file for bankruptcy just last year. We have two young daughters and need to get this debt under control or we will have nothing to help them with in the future. And because of this debt we have not made much progress in saving for retirement. We are stuck living paycheck to paycheck for the foreseeable future."*

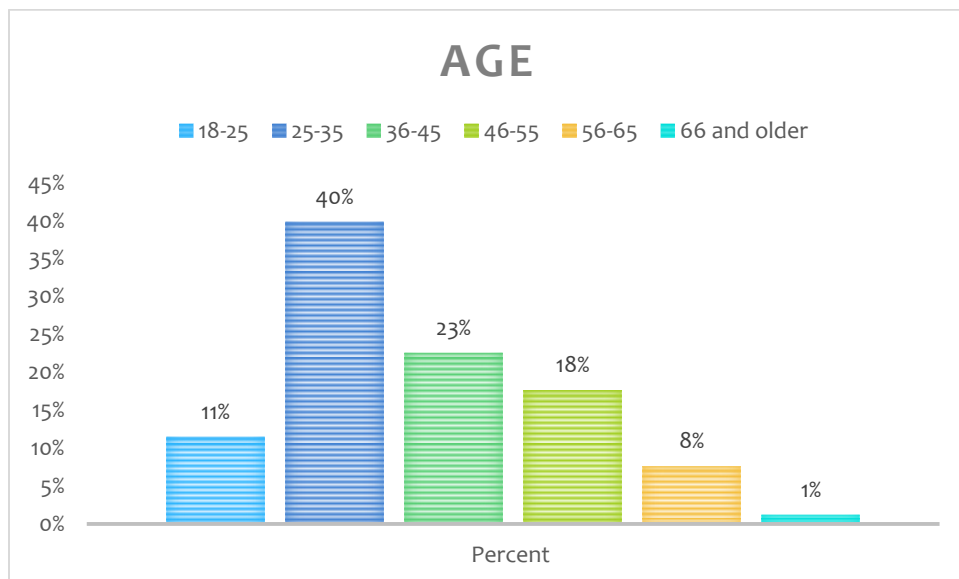
*"Student loan debt puts a crimp in my budget every month. Every month my wife and I both pay money toward our debt and it takes away from what we can save for the future, what we can spend on needs right now, and what we can spend on extra things to make life better. Having a college education is important and I wouldn't give it up for anything, but politicians, bureaucrats, and educators/administrators need to open up their eyes and see how the cost of college is destroying our economy."*

*"I have been paying and paying for years and my principal amount has gone down only minimally compared to what I have paid. I have paid practically as much as the principal total but it has only gone down about \$2,000 in almost 10 years. Many times the whole payment is applied to interest. I will be paying my student loan out of my social security check. It is an extremely long financial burden to carry even though the interest rate is relatively low. I also thought that if I had a public service job that my student loan balance after ten years would be forgiven however I have the "wrong" one of the two federal student loans so I don't qualify. I am a single mother who chose this so that I could get off of assistance and be self-supporting; however, it has not helped. I am no longer eligible for assistance but I am further impoverished because now I don't qualify and have more debt than I can sustain. I thought I was doing a good thing. Maybe I should have stayed the way I was and let the government take care of me."*

*"It has created financial stress, as it will probably take a long time to pay off. I wonder if it was worth the education I received, as I probably could have pursued other routes to gain the credentials I require for my career. It also makes me question what the future will hold when my children reach college age."*

### Demographics:

Over half of all survey respondents (51%) were between the ages of 18 and 35. This age of the demographic represents those who are typically starting their families and building equity. If individuals are burdened with student debt, they cannot invest in homes, save for their retirement or for their children's education, or contribute to the economic growth of their communities.



Approximately three quarters (76%) of the survey respondents were female with 41% married and 35% single. A quarter of respondents were male with 15% married and 9% single.

We should also take note of the interest rate on student loans and how the student loan system has changed. In 2010, the Federal Government overhauled the financial aid system and now administers the student loan program. It removed financial institutions from this process. The intent was to make the process easier and more accessible.

The interest rate on Stafford loans is 6.21% and parent PLUS loans are 7.21%. Parent PLUS loans are loans where parents guarantee they will pay for the loan if the student defaults or is unable to pay the principle and interest. These interest rates are much higher than home loans or other investments. Student loans do not go away even after death and when individuals defer their student loan payments, the interest rate is compounded daily. As you can see from the survey comments, this is creating a burden for many families.

### Other Symptoms of the Impact of Student Debt:

There are other factors that need to be considered but have not been evaluated in this study. The housing market and financial institutions have not seen the rebound yet from the recession. When the housing market fell in 2008, the unemployment rate increased as well. Many individuals went on to college to earn additional credentials in hope of securing employment.

- Homeownership rate in the United States is now at the lowest levels since 1989.  
<http://blogs.wsj.com/economics/2015/04/28/the-homeownership-rate-is-now-the-lowest-since-1989-but-theres-a-silver-lining/?mg=id-wsj&mg=id-wsj>
- Before the recession, 17.9% of young people between 18 and 31 years of age or 41.2 million people lived at home with their parents. Today, that has increased to 36% (Dettling, Hsu Federal Reserve Board, 10/25/2014).
- Student debt does not only impact young people. “*Student Debt Traps Older Borrowers.*” Seven million seniors shoulder \$155 billion of student debt up from three million borrowers a decade ago at \$42 Billion in student loans (AARP 12/2014).
- The diagnosis of depression has increased by approximately 20% per year.  
<http://www.healthline.com/health/depression/statistics-infographic>
  - Individuals that are more likely to suffer from depression are individuals who are unemployed/underemployed or recently divorced.
- “Today's young adults are on track to have the lowest rates of marriage by age 40 compared to any previous generations. If the current pace continues, more than 30% of Millennial women will remain unmarried by age 40, nearly twice the share of their Gen X counterparts, according to a recent Urban Institute report.” <http://money.cnn.com/2014/07/20/news/economy/millennials-marriage/>
- Even the Federal Reserve has identified Student Debt as a concern. “Although we’ve seen an overall improvement in delinquency rates since the Great Recession, the increasing trend in student loan balances and delinquencies is concerning,” said Donghoon Lee, research officer at the Federal Reserve Bank of New York. “Student loan delinquencies and repayment problems appear to be reducing borrowers’ ability to form their own households.” Feb. 2015

These are all signs the economy and unemployment rate have a long way to go in order to return to economic growth levels prior to 2008.

As you can see, college debt and the increased cost of education are creating a financial burden for many families across America. Individuals were told if they worked hard and received a good education there would be the opportunity for a better life.

Children and many young adults were also informed they could have any career and be whatever they wanted. Unfortunately, the realization is the educational marketplace, the increase in competition in industry, and high cost associated with education has left too many people with skills that have little value to employers.

### **The Impact of Public Policy:**

The educational improvements to reduce college debt cannot be resolved at the local or state level. This is public policy, which starts with the Federal Government. Financial Aid was changed and was overhauled in 2010 when the Federal Government removed the local financial institutions to work with individual borrowers. This change was intended to reduce the cost of education and yet interest rates have risen and more people are burdened with college debt today than ever before.

There is another public policy issue that needs to be addressed with improving the educational system in America. It is the regulatory, licensing, and the accreditation process and the responsibility of ensuring students are receiving the credentials they purchase. For example, the cost to earn a paralegal degree at a for-profit college is approximately \$90,000, which may or may not lead to credentialing.

Keep in mind student debt is also a problem with two year degree holders. The lack of career planning and understanding in decision making also increases the cost for students.

### **Next Steps:**

Evaluating and making changes to the educational system is a huge undertaking. This report identifies the problem of college debt and provides information on how college debt impacts individuals and their families. When individuals lose their purchasing power, it can affect other industry sectors and should be a concern for all.

Recommendations for the next steps toward making positive change and moving forward are as follows:

- Identify the problem and college debt is certainly a problem. It may be one of the root causes why our economy has not rebounded like it should.
- In order to create efficient and successful programs, there needs to be a better understanding of what consumers need in order to make better educational decisions.
  - Focus groups will be facilitated by Matousek and Associates to understand the needs of graduates and with high school students to make better decisions before they start their career path.
- In Wisconsin, a comprehensive study of the three systems in the state of Wisconsin and inventory of existing facilities and programs.

- The Be Bold 2 Study discussed the importance of the Workforce Development Boards and Department of Workforce Development. Partner in Education programs with business and industry are already in place as well as work experience, and apprenticeship programs.
- Federal legislators need to create and pass legislation that reduces the interest rates of student loans and allows individuals the opportunity to refinance their student loan debt.

There is still more that needs to be done. However, in order to improve the educational system, we have to understand our current state. Much change is being proposed without reviewing the cause and effect of our public policy decisions. Competition among educational institutions is increasing posturing for additional and limited funding.

### Conclusion:

We have to be smarter about education and provide the information and the resources for individuals to be successful.

The Job Centers of Wisconsin can provide the services to help individuals make better decisions about their career choices and to secure employment. The Job Centers have great resources and programs to help individuals make better decisions about careers, which provide livable wages and information on careers in demand, and it is the only place “Where Employers and Job Seekers Connect.” They are also a neutral site that does not promote one type of education over another.

If people make better choices about education and reduce their college debt, they can start investing in our economy more quickly, as well as fill careers in demand. This benefits employers, communities, and our overall economy.

We can do better and still support education. It is the foundation of everything; however, improving the educational system and reducing the cost of education is not the responsibility of educators alone. It is the responsibility of stakeholders, legislators, and community leaders that can influence positive change. The futures of our children and grandchildren depend on us to make decisions to improve their quality of life. Currently, we are headed in the wrong direction, and the increased cost of education and lack of employment opportunities will only weaken our economy. Let’s get to work to Help Others Prosper and Excel!

## RESOURCES

Education, H. G. (2011). Pathways to Prosperity. Pearson Foundation.

Federal Budget appropriations for Education <http://febp.newamerica.net/background-analysis/education-federal-budget>

Household debt Continues Upward Climb, While Student Loan Delinquencies Worsen  
<http://www.newyorkfed.org/newsevents/news/research/2015/rp150217.html>

Jill Casner-Lotto, L. B. (2006). Are They Really Ready To Work? The Conference Board, Inc., the Partnership for 21st Century Skills, Corporate Voices for Working Families, and the Society for Human Resource Management.

Student Loan Debt Traps Older Borrowers:[http://pubs.aarp.org/aarpbulletin/201412\\_DC?folio=28#pg32](http://pubs.aarp.org/aarpbulletin/201412_DC?folio=28#pg32)

The Be Bold 2 “Growing Wisconsin’ Talent Pool” <http://www.competitivewi.com/2012/10/be-bold-2-growing-wisconsins-talent-pool-study-released/>

The Homeownership Rate is Now the Lowest Since. 1989, But There’s a Silver Lining  
<http://blogs.wsj.com/economics/2015/04/28/the-homeownership-rate-is-now-the-lowest-since-1989-but-theres-a-silver-lining/?mg=id-wsj&mg=id-wsj>

Unhappiness by the Numbers: 2012 Depression  
Statistics<http://www.healthline.com/health/depression/statistics-infographic>

When it comes to marriage, Millennials are saying "I don't."  
<http://money.cnn.com/2014/07/20/news/economy/millennials-marriage/>